

# *News and Information*

*from the Tennessee Division of Consumer Affairs*

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## **STATES SETTLE WITH SUBSIDIARY OF CIRCUIT CITY STORES, INC., FOR \$11.7 MILLION**

The Tennessee Attorney General's Office and the Division of Consumer Affairs today joined a forty-four state settlement under which First North American National Bank (FNANB) will pay \$11.7 million for unlawful debt collection practices from consumers who had declared Chapter 7 bankruptcy.

FNANB, a wholly owned subsidiary of Circuit City Stores, Inc. will pay an estimated total of \$6 million to approximately 11,000 consumers nationwide from whom FNANB and its agents collected invalid debts. FNANB will also write-off approximately \$2 million in consumer debt. In addition, FNANB will pay the States Attorneys General \$3.7 million.

Tennessee consumers' share, including the estimated canceled debt and restitution, is over approximately \$300,000. FNANB will also pay the State of Tennessee approximately \$83,000, which is the State's share of the nationwide payment based upon the percentage of violations that occurred in Tennessee. This amount will be used to cover attorneys' fees, consumer education and a payment to the general fund.

FNANB issues and administers private label credit cards for Circuit City Stores, Inc. The States' investigation confirmed that FNANB had solicited customers who filed Chapter 7 bankruptcy to sign a reaffirmation agreement (a contract agreeing to repay their debt rather than have it dismissed in bankruptcy).

FNANB then failed to file those agreements with the Bankruptcy Court as required by law. Such agreements are valid only if they are voluntary and if they are filed with the bankruptcy court, and in certain circumstances, approved by the bankruptcy court. The practice is believed to have taken place over the past six years.

"We are pleased that we were able to resolve this matter, and we hope this settlement, along with the Sears, Federated and General Electric Capital Corporation settlements," said Tennessee Attorney General John Knox Walkup, "will continue to send a message that improper collection activities will not be tolerated in Tennessee."

Under the settlement, affected customers identified by FNANB (using a process overseen by the Attorneys General), will:

- Receive reimbursement for all payments made to FNANB pursuant to improperly obtained reaffirmation agreements.
- Have all their "reaffirmed" debt stricken and FNANB will waive any rights to repossess the

merchandise.

- Be reimbursed for finance charges and penalties charged by FNANB, and be reimbursed for any money paid on the reaffirmed debt plus 9.1 percent interest.

FNANB has also agreed to an injunction which will prohibit them from collecting upon reaffirmation agreements that were not properly filed. The company also agreed to accurately disclose all rights that bankrupt customers have in connection with reaffirmation agreements proposed by the creditor.

Tennessee consumers who filed for bankruptcy, signed a reaffirmation agreement with FNANB, and believe the agreement may not have been properly filed with the bankruptcy court may contact the Division of Consumer Affairs at 500 James Robertson Parkway, 5th Floor Davy Crockett Tower, Nashville, Tennessee 37243 or by calling 615.741.4737. Consumers may also contact FNANB's customer service office at 800.677.4339.

In the settlement, FNANB and Circuit City have denied any and all wrongdoing.